

RAILROAD DEMOCRACY

THE PLUMB PLAN WEEKLY



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The Labor Campaign Is On

By WARREN S. STONE

Grand Chief of the Brotherhood of Locomotive Engineers, President of the Plumb Plan League

LABOR is starting the greatest enterprise in its history and it has called upon every man of its rank and file to rally in support of its railroad program. It has asked all that can be given. All have been drafted.

Labor offers an opportunity which means for all railroad men the larger life and the higher service that is generally represented

by the phrase "industrial democracy." It is an opportunity by which we, the members of the organized railroad employes, and those who believe in the same cause that we do, may blaze a better trail for all labor.

It is well to remember what railroad reconstruction under the Plumb Plan actually means.

It makes the worker a partner of his

"THESE THREE SHALL CONTROL."



country, one of the trustees of a great new enterprise of human service and organization.

It relieves him for all time from being a mere cog in a machine for grinding out profits for some one else.

It makes him the true servant of the public and of the country, which rewards his efficient service with an interest in the dividends of the enterprise.

THE CALL TO EFFICIENCY

It makes the railroads his not in the property sense, but in an even more vital way—the way of service. They are entrusted to him free of politics, free of bureaucracy, free of the pressure of financial domination, to show what efficiency in a real democracy of workers can be made to mean.

The last thing in the world that I would suggest is that this is a plan merely for the enrichment of labor, appealing solely to labor's self-interest and its hope of higher earnings. It is not that in any sense of the word. It is primarily an opportunity for service. It is a challenge for better work than labor has ever done before. It is a challenge which no one who knows labor can doubt will be met successfully. For a man will work for the public more unstintingly than he will work for that impersonal thing called Capital, which measures service just as it measures labor and as it measures transportation—as merely the means by which wealth can be controlled.

I believe that if the organized railroad employes can go before the country with their plan it will pass the test as a business as well as a social proposition.

PUBLIC INTERESTS SAFE

The fact is that we are going to get public support for the simple reason that our interests are identical with the public's; because our plan is essentially the public's plan; because the whole country stands to gain even more by what we propose to do than we do. It may, and doubtless will, take time and effort to make the country realize the fact. But we are ready to meet all our opponents fairly and squarely in a debate before the public. What we want is an honest consideration of our plan as contrasted with a return to private own-

ership or any other scheme of railroad reorganization that has been proposed. We are not afraid of the acid test.

Public support, of course, is something which every worker must aid in getting. Every man must be a missionary. The truth about the railroads must be told by those who know it best—the employes. They are the medium through which the public can be reached and the growth in the membership of the Plumb Plan League will be the barometer of their efforts. Union members must tell their neighbors, organize meetings, write and talk to everybody who may help, spread the idea far and wide, learn it word by word, buttress themselves with all the facts and the logic in the case.

NOT GOVERNMENT OPERATION

There should be no haze or confusion in their minds as to what the Plumb Plan really is. It does not call for a continuance of government operation nor is it primarily a plan to prevent the return of the railroad systems to private ownership and operation. It does not aim to perpetuate the present system. Nor does it aim to force those who own the roads to take huge losses in transferring them to other hands.

Labor's plan for railroad reconstruction may be summarized by saying that it is operation by the men under the control of a board of fifteen directors, which will be divided into three groups—five members representing the operating officials, five the classified employes, and the remainder chosen by the President to represent the public. This board is proportioned in its membership on the principle that operating railroads is a matter of efficiency and skill. Both of these are intangible things, purely human factors, not to be found in the audit of railroad books at the end of the fiscal year, nor in the arguments of learned counsel at rate hearings, nor talked about very loudly when a Wall Street board of directors declares a dividend.

But they are the things which make or break railroads. They mean the difference between success and failure in transportation. The human factor is the vital thing in the railroad machine—and yet it is the practice of railroad owners to hold it as the cheapest.

Such a corporation will have no other

capital than the managers' and workers' skill and efficiency. If the plan is accepted we expect to show the country what real railroad management, free of manipulation from above, free of petty tyranny, free of waste and politics, may be made to mean. The workers are to be amply rewarded in direct ratio to their efficiency—the plan shows that clearly enough.

"Where is the public's equity in the plan?" is a question that will be asked from many quarters. It should be borne in mind that the public is the owner of the roads, and is at all times their master. Congress could revoke the new charter if the corporation fails to make good. The Interstate Commerce Commission retains the rate-making power. The plan includes a proposal to reduce rates whenever the government's share of the dividends is in excess of 5 per cent of gross operating revenue. How long is it since the railroads under private ownership have made any proposal by which rates can be reduced?

We believe that by efficient railroad management passenger rates can be lowered to 1½ cents a mile and freight rates 30 to 40 per cent. And ultimately the railroads will belong to the country debt-free, and labor will be a permanent partner in the greatest cooperative enterprise that the world has seen.

Plumb Plan Arguments

Isn't the Plumb Plan merely a means for labor to take the place of financiers in profiting from the railroads?

No. In the narrow sense of the word there are no profits under the Plumb Plan—that is, profits as returns paid on capital. Labor wants capital retired—that is, repaid every honest dollar it has invested in the public service. It wants this done by the issuance of government securities. The interest on such government securities is to be one of the fixed charges. What the railroad workers receive is a share of the surplus that remains after fixed charges and costs are met. This is a dividend on skill.

Isn't this share of the surplus the same as a profit?

An industry operated for profit charges all the traffic can bear and pay returns. An

industry operated for service is rewarded only as it improves service. Railroads operated by capitalists give just as little service as they safely can so they can earn as much as they possibly can. But under the Plumb Plan, employees to earn as much as they can must give just as much service as they possibly can. A profit is a reward to capital for the least service it can safely give; a dividend on skill is a reward for the most service it can possibly give. One is making money at the expense of the public; the other is making money by making it for the public. By the Plumb Plan, as soon as the surplus reaches a given level, rates are reduced. Then, to restore dividends service must be improved, and new business created. Every dollar of new traffic, brought in by increased efficiency, represents increased production by industries in general. The railroads as now operated can make profits without creating new prosperity. Under the Plumb Plan the employees can earn no dividends unless they help every industry that uses railroads.

What of the "widows and orphans" who must live from their stock returns?

Granted, there are some, though more than half of railroad securities are owned by Big Business. Big Business had practically ruined the railroads before the war, and if the Government had not intervened the movement of troops and goods could not have been accomplished. The question of putting the railroads on an efficiency business basis is a national one. It touches every person who buys something, because part of the purchase price is a tax for transportation. No one could ask 100,000,000 persons to bear the burden of an evil railway management to safeguard a comparatively small number of its victims. If railroad finance had been unselfish there would be no need for reorganization. By the Plumb Plan every dollar honestly spent in the public service would be repaid. If a man pays \$20,000 to a corporation, he isn't responsible how the corporation divides it among its stockholders. He pays it to the officers and the stockholders settle between themselves. To plead for widows and orphans shows the tragedy of a selfish system, but only raises a question of right between stockholder and director, not between stockholder and the public.

Railroad Democracy

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Application made for entry to the mails as second class mail matter at the Post Office, at Washington.

A person who believes in democracy writes to his congressman.

Postmaster General Burleson has become the Ballinger of the Wilson administration.

When labor demands efficiency and service as the basis of reconstruction the dawn of industrial peace is near.

Two million pulsating human bodies constitute the property investment of labor in the railways. To cut their wages is to confiscate the return on property more precious than railway capital has.

A vote by Congress for government ownership and democracy in the operation of the railroads is superior in technique to the Russian method. Congressmen should be permitted by their constituents to represent them.

The railway owner's demand: Either guarantee my profits, in which case I may draw them and buy a yacht, or let me fix the rates for service which the shipper and traveler must have—then I will buy two yachts and four motor cars.

The railroads want a law passed legalizing their "property investment account," which is full of watered stock, and guaranteeing 6 per cent on it. It isn't legal now. If it were, they would not ask for a law; they would go to the courts and get their 6 per cent.

Something the railroads never mention is the fact that some of the deficit under government control was due to loss of business. In October, 1918, the total revenue ton miles

numbered 39,548,000,000; in February, 1919, it fell to 25,681,000,000. What would have been the deficit under Wall Street economy?

Surely some provision must be made to prevent the continuance of the steady progress toward bankruptcy of the railroads which characterized the decade before the Government took possession in 1917.—Elihu Root to the Missouri Bankers.

We suppose, Brother Root, you are demonstrating that private ownership is a failure?

The federal railway managers are largely men who were in charge of operation prior to federal control, and no orders have issued from Washington requiring these managers to employ more men than the needs of the service demand.—Interstate Commerce Commissioner Eastman to the Senate Committee on Interstate Commerce, July 8.

So much for the railway owners' charge that more men than were necessary were employed!

THE TWO OBJECTIVES

Labor has two objectives in its railroad campaign this year. The first is to obstruct the return of the roads to the management of their private owners. The second is to obtain a fair hearing for the labor plan for reorganization. The second objective is dependent on the attainment of the first.

Wall Street intends to take advantage of the apathy of public thinking that has followed the effort of the war. The people will be asked to sanction a guarantee to an unsound financial system. They cannot agree if they have the time to understand what interests are at stake and what is being proposed. Unless labor itself undertakes to make the railroad question a national concern, the public may be confronted with an accomplished fact, and have to pay during an indefinite period not only the unnecessarily high rates of pre-war days but guarantee to the railroads a return on distended investment.

A solution of the railroad question which does not take true value and democracy into account is an unsafe solution. It were folly to expect the former methods to produce a better service than the one which so notoriously failed at the beginning of the war. What the public requires is not merely a secure railway finance. Far more im-

portant is an efficient transportation system. Does anyone familiar with American industry expect this to come by guaranteeing the profits of capital? How should capital, whose first motive must be its own enrichment, be now inspired with a desire for public service?

Labor can show a far greater investment in the railroads than capital. In 1916 the railroad employes were paid \$1,500,000,000 for services rendered, and capital was paid \$827,000,000. The owners of the money which was devoted to railway service of the public capitalized their investment at \$21,000,000,000. If the return paid to labor were capitalized on the same basis it would represent a labor investment of upwards of \$37,000,000,000. Hence there can be no question of the intrinsic right of labor to have a leading voice in the debates on the railroad question.

Why should capital ask a guarantee, and not labor? The guarantee labor asks is a living wage plus a share for a limited time in the surplus from new business. In other words, a dividend upon skill when skill has paid its new business into the railroad treasury. In other words, a dividend on increased prosperity. Do the railroad security holders think as deeply?

PROFITS AND SERVICE

"The failure of private management in the railroads is no better disclosed than in the chapter of railroad history preceding our entry into the war. It is often forgotten that government intervention was not dictated by policy but by necessity. The railroads were unable to take care of the business; their equipment had degenerated and their methods were inadequate. The eastern yards were congested, and the movement of troops, food and goods was almost paralyzed.

Frank McManamy, assistant director of the division of operations of the Railroad Administration, in the *American Machinist*, says:

"The statement has been made and is generally accepted that the principal cause for the railroads failing to function was due to car and locomotive shortage, and while this correctly represents the situation, so far as the shipper was concerned, from

a standpoint of railroad operation, such a condition did not exist.

"When a railroad, or a number of railroads in a section of the country, are congested with cars, there can be, in so far as these railroads are concerned, no car shortage. When the shops and roundhouses on a railroad or a number of railroads in any section of the country are blocked with locomotives undergoing or awaiting repairs, in so far as those railroads are concerned there can be no shortage of locomotives. These conditions existed on every railroad which was congested with traffic at the time the Railroad Administration assumed control. Therefore, congestion was not primarily due to shortage of cars or locomotives, but to the inability or failure to use to their maximum efficiency the cars and locomotives on hand.

"It was not possible at the time the railroads were taken over to say to what extent the condition of locomotives and cars was responsible for the situation which existed, and the Interstate Commerce Commission was asked to assist in obtaining accurate information relative to the general situation.

"Its reports showed that a serious condition existed on account of the number of bad order cars at various terminals and also on account of the general defective run-down condition of motive power, which, together with overcrowded and inadequate shops and roundhouses, had resulted in trains being held at terminals on account of shortage of efficient motive power, and also seriously slowed up movement on the road, often to the extent of blocking several divisions.

"Prompt handling of locomotives was seriously hampered by condition of roundhouses and the lack of facilities at many points, to make running repairs to large locomotives. Roundhouses built twenty years or more ago, for locomotives in service at that time, were not large enough to take care of those in use at the present time, consequently repairs had to be made out of doors or at open roundhouses with a temperature below zero.

"Similar conditions existed in shops at many points, for it was found that there had been no improvements made for many years and consequently there were no crane facilities or proper tools with which to

handle and make repairs promptly to modern power, which was resulting in locomotives being held out of service an excessive period of time, receiving classified repairs."

In an address before the Convention of the Brotherhood of Locomotive Firemen and Enginemen, Mr. McManamy told of one roundhouse, built twenty years ago for smaller locomotives, where at one time during the winter forty locomotives were actually frozen to the tracks and could not be moved.

These conditions were on the whole normal, and characteristic of private management. The railroads were not being operated primarily for service, but for profit, and they were efficient in extracting profit, as is proved by an examination of the dividends paid during the time these conditions prevailed. The following list, taken from the testimony of Clifford Thorne, counsel for the National Federation of Shippers, before the Interstate Commerce Committee of the Senate, is of returns paid to the lines handling 72 per cent of the traffic of the eastern district, where the congestion was marked:

EARNINGS ON CAPITAL STOCK

Railroad	1916	1917
Central of N. J.....	20	19
Del. & Hudson.....	12½	9½
Del. & Lack.....	19½	22

Lehigh Valley.....	12 1/3	11½
N. Y. Central.....	18	15
Norfolk & W.....	14½	14½
Pennsylvania	13	11
Reading	14½	13½
C. & O.....	11	12½
B. R. & Pitts.....	..	10½
Lehigh & N. E.....	..	13½
Hocking Valley.....	..	19½
Lehigh & H. R.....	..	28

These percentages include revenue derived from outside investments, but Mr. Thorne stated that excluding such revenues, all the eastern roads "*for the three-year average earned over 10 per cent on all capital stock, water and all, Erie, Wabash, Pennsylvania, and everything else.*"

It cannot be argued that the fault for the collapse of private management was due solely to the demands of a war emergency. The war simply exposed the fallacy of trying to obtain public service by offering inducements to capital.

THE VOICE OF THE PEOPLE

Congressman John M. Rose of the Nineteenth District in Pennsylvania, has received more than 2,000 letters from his constituents in one city asking his support for the Plumb Plan.

Cooperation vs. Competition

By B. M. JEWELL

Acting President, Railway Employees' Department, A. F. of L.

THE organized railway workers of America are in a very responsible position with regard to the future of their industry. It is theirs to recognize that they must take a hand in the solution of our railroad problem to the fullest extent consistent with industrial as well as with political democracy. Unless they do so it is certain that this problem will be but partially solved and then only with deference to the so-called private interests concerned. The basic labor, management, and public interests, which in reality are the piers upon which the railway industry bridge must firmly rest, will be but indifferently considered. Democratically speaking, therefore, it is right and proper that

the American railway workers as a class should assume an appropriate measure of responsibility for the conduct of the railway enterprises in all its phases. This opportunity has been persistently denied them in the past. Now, however, by the advancement of the Plumb Plan, the employes have finally taken the initial step in the process, which will eventually result in delegating to them their full share in the responsibility in the entire operation of this important industry.

PUBLIC SERVICE IS TEST

The employes, however, while insisting upon a plan for controlling the railways based only on the vital interests concerned, namely, labor, management and the public,

must be prepared to point the way to such developments as will serve both the communal welfare as well as that of the workers, for no section of the workers ought to ignore the interest of labor and the public as a whole. It is universally agreed that the development most necessary in the American railway industry lies in the direction of service, efficiency and economy. Hence one of the main tests for the soundness of the workers' proposed solution concerns itself with the extent to which the best possible service and the greatest efficiency and economy of operation will be secured.

Under the various types of private ownership plans proposed for the solution of the railroad problem, the incentive of competition is stressed as that which will bring about the greatest possible benefits. As a matter of fact, the competitive system in the railway industry, from its unbridled state of the good old rebate days to the present with its complicated state and national machinery trying to "regulate" this "ideal" system, has been a miserable failure and always will be in an industry such as our railroads, which is a national and a key monopoly.

THE STRENGTH OF THE PLAN

The workers' plan proposes to run the railroads on a cooperative basis as distinguished from the competitive. This certainly constitutes its main strength. For only through cooperation can the final test, the test of maximum service, economy and efficiency be met. Basically the reason for this is because the worker is raised from the status of an employe to that of a partner in the enterprise and this is a true step forward. The railroad worker then begins to acquire a relationship to his industry which is analogous to his relationship to the city, state and nation in which he lives. He begins to enjoy new rights, privileges and duties with respect to a phase of his life, in reality the most important, which he never enjoyed before. Instead of his "job" being a thing apart from himself, which simply provided an opportunity for him to earn his daily wage, it will acquire new and increasingly vital interests. Herein lies the true worth of the workers' plan for democratic control, for it is the only solution possible whereby automatically the

morale of the workers of the industry is gradually developed to the maximum.

A clear thinker, Mr. Alvin Johnson, recently pointed out the following:

"We are wasting immensely valuable resources because our system does not enlist the full cooperation of the worker. The difference in efficiency between the man who is doing his best and the man who is doing well enough to hold his job is a measure of our immediate loss. But there is an ultimate loss that is far greater. That is the loss in inventiveness that results when men give their bodies to their work but not their whole minds. The industrial process is susceptible of infinite improvements in detail and the workers, if alert and intent upon the problem of industry, know just where these improvements are needed. They know collectively more about this than any manager, however well equipped for efficiency engineering. Most of them lack the ability to devise improvements, although they may be conscious of the need. Practical inventive ability is rare. But nobody can question that there is potentially a vastly greater volume of inventive ability in the whole working class than in the small group of inventors.

"What is requisite to the development of this incalculably valuable resource is the active interest of the workers and a pride of workmanship that will not only direct their own thinking toward the problems of production but will enlist their support for public technical education. These can be had only on one condition, the thoroughgoing revision of the relations between employer and employe. The employe must be given a share in the responsibility for production if he is to give in return a freeman's initiative."

HIGH STANDARDS ON RAILROADS

There is no industry today in which the workers are more conscious of their collective responsibility, their sense of obligation to the public as a whole, than the railroad industry. In every way, physically and mentally, as a class, they understand what their general industrial duties are; they realize the necessity for safe and efficient transportation. If the situation were ever analyzed by impartial investigators it would not be difficult to determine the extent of the effect on the efficient conduct of the

transportation industry, which followed those safety laws enacted upon the insistence of labor, with which all workers are familiar. All this certainly testifies to the attitude which it is possible for the railroad men of this country to take concerning the future control and conduct of the industry.

The confidence of the American railroad worker in himself to bring about ideal conditions of safety, service and efficiency in the railroad industry, will be measured directly by the courage and determination he shows in insisting upon a scientific and, therefore, democratic solution of our railroad problem.

Plumb Plan League

DECLARATION OF PRINCIPLES

WE BELIEVE that the efficient conduct of the railroads is essential to the welfare and prosperity of every citizen, and to the growth and development of every industry.

WE BELIEVE that every dollar actually placed at the service of the public in the operation of these public highways constitutes an investment that must be sacredly guaranteed both as to principal and interest, both by the people and by those employed by the railroads. But we also assume that this guarantee shall not safeguard a single dollar not actually placed at the service of the public.

WE BELIEVE that every citizen who uses these public highways is entitled to receive transportation service at the lowest cost consistent with efficiency.

WE BELIEVE that the wages paid in rendering this service should be sufficient to attract and hold the best operating ability.

WE BELIEVE that the gains from economies and efficiency produced by the efforts of the employes should be shared equally between them and the public, thus assuring the worker a due reward for his skill and protecting the public from exploitation.

WE BELIEVE that property benefited by extensions of railways should bear its share of the cost of such extensions commensurate with the benefit it receives.

WE BELIEVE that to obtain the foregoing results it is necessary that the people should own these public highways.

WE BELIEVE that the "Plumb Plan" for the

reorganization of the railway industry will obtain these results.

Who's Who in the League

OFFICERS

Honorary President, Samuel Gompers, president of the American Federation of Labor.

Honorary Vice-President, A. B. Garretson, ex-president, Order of Railway Conductors.

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Martin F. Ryan, general president, Brotherhood of Railway Carmen of America.

S. E. Heberling, president, Switchmen's Union of North America.

J. J. Forrester, grand president, Brotherhood of Railway and Steamship Clerks; Freight Handlers, Express and Station Employes.

E. J. Manion, general president, Order of Railway Telegraphers.

A. E. Barker, grand president, United Brotherhood of Maintenance of Way Employes and Railway Shop Laborers.

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